



Competitive Spectrum Auctions

May 29, 2013

Excessive Concentration Harms the Public

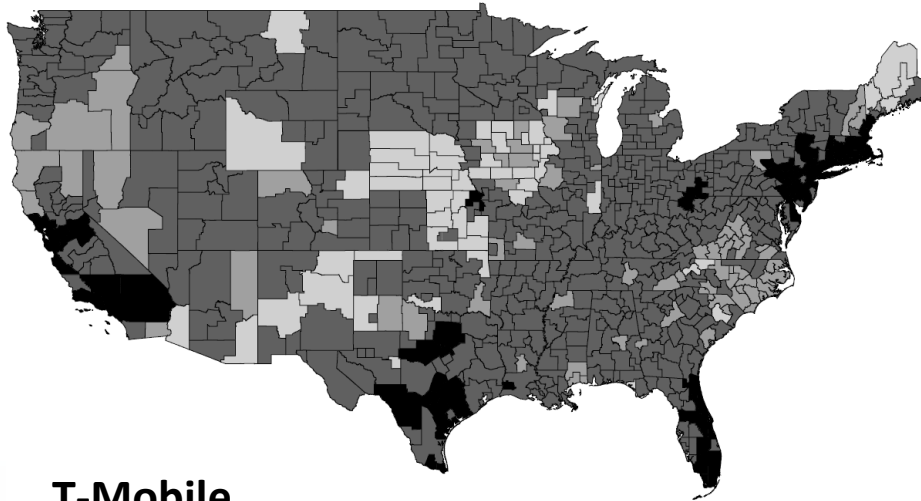


- In highly concentrated, capital intensive market, dominant firms have a strong economic interest in maintaining and increasing market power
- Excluding rivals allows dominant firms to charge more for existing service and reduces competitive pressure to innovate and invest in new offerings
- Absent some type of cap on acquiring critical spectrum resources, the two largest wireless carriers will have an incentive to foreclose competitors from acquiring the low-frequency resources they need to compete
- A one-third below 1 GHz spectrum cap would not only give effect to the Commission's statutory obligations to "avoid excessive concentration of licensees" and to distribute licenses to "a wide variety of applicants," but also would likely increase participation, potentially increasing auction revenues

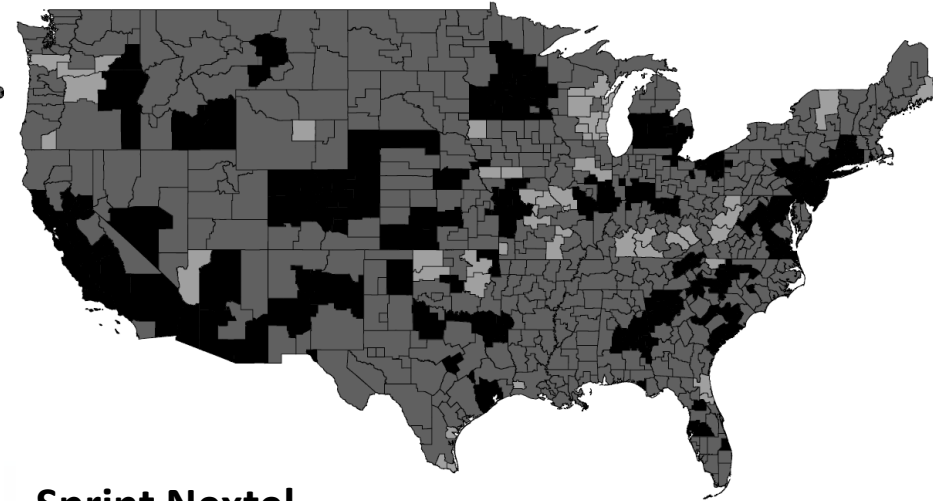
Below 1 GHz Spectrum is Highly Concentrated



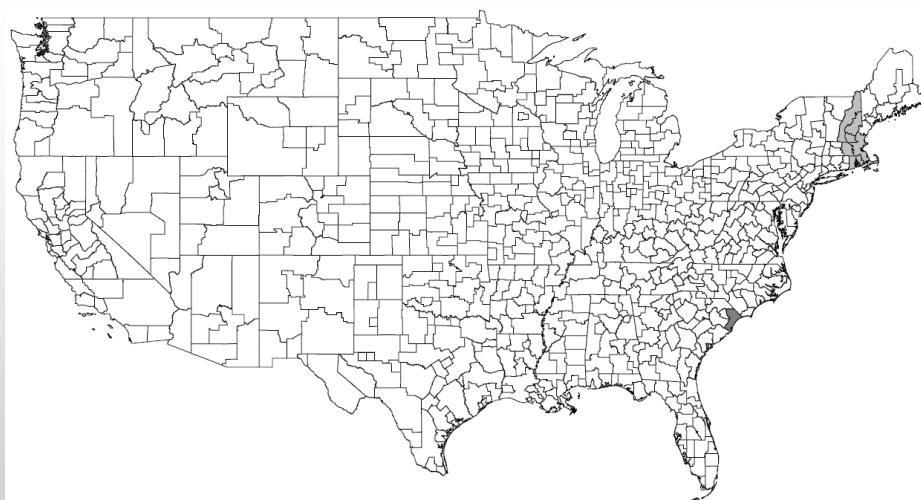
AT&T



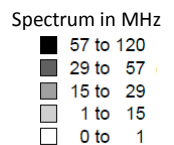
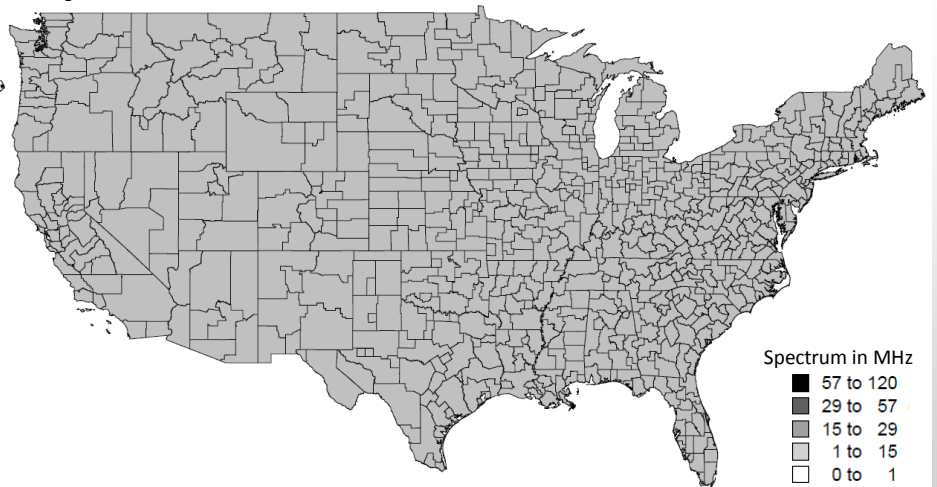
Verizon



T-Mobile



Sprint Nextel



The Proposed Below 1 GHz Spectrum Cap



- T-Mobile has proposed a cap on spectrum purchases at auction of one-third of all spectrum available below 1 GHz
- T-Mobile has never sought to exclude AT&T and Verizon from participating in the 600 MHz auction, which would create unfavorable economics for T-Mobile
 - AT&T & Verizon enjoy volume purchasing power, promote international standardization, and command attention from the global supply chain
 - If AT&T & Verizon do not enter 600 MHz ecosystem, T-Mobile's equipment costs and product development cycles would likely increase
- A one-third limit on spectrum holdings below 1 GHz offers a clear, economically sound tool to promote competition and encourage widespread auction participation
- To the extent a party already holds more than one-third of the below 1 GHz spectrum in any county, a simple spectrum-access exception would allow dominant carriers to have access to at least some 600 MHz spectrum, such as 5x5 MHz, everywhere regardless of the effect of a below 1 GHz cap in any county